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Australia's Hawke Goes to the Polls

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An Intelligence Assessment

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EA 84-10204
November 1984

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An Intelligence Assessment

This paper was prepared by [redacted]
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**Australia's Hawke
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Key Judgments*Information available
as of 5 November 1984
was used in this report.*

Prime Minister Hawke's Labor Party should reap a big win in the snap election he has called for 1 December. He enjoys continued high ratings in public opinion polls, and Australia's economic growth over the past year has been strong. In addition, opposition leader Peacock has been unable to launch an effective attack on the Labor government.

Hawke has worked actively during the preselection process for local party candidates to counteract the efforts of the party's left wing. We believe Hawke has a good chance of increasing Labor's numbers, particularly in the House of Representatives. Hawke's prospects for increasing the percentage of moderates in the Labor caucus have been dimmed, however, by the left's effective efforts during the preselection process.

Following an election victory, Hawke is expected to shuffle the Cabinet and attempt to strengthen the power of like-minded party moderates while minimizing the influence of the left. Hawke nonetheless will probably come under renewed pressure during his second term to return to the party's "postponed agenda" for social reform—policies with which he has no ideological disagreement, but which often conflict with his economic pragmatism. Slower economic growth also may increase friction between unions and the business community, threatening Hawke's incomes and prices accord—the linchpin of Labor's economic strategy.

Hawke will also continue to watch the development of the potentially dangerous center-left faction led by Foreign Minister Hayden. A decisive Labor victory, however, will help Hawke maintain warm relations with Washington and continue to chart a moderate course in foreign affairs.

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Australia's Hawke Goes to the Polls

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An Early Election

Riding a tide of public approval, Prime Minister Bob Hawke called for elections on 1 December, a year ahead of schedule, hoping thereby to increase the parliamentary majority of the Labor Party.¹ By announcing the election in early October, Hawke has set in motion the fifth national election in just over 10 years and the longest campaign period ever—eight weeks as opposed to the usual three to four.

The December election covers a total of 194 contested seats and will be the first election for the enlarged 224-seat Parliament; 23 seats have been added to the House and 12 to the Senate. Concurrent with the election—and one of Hawke's justifications for the early poll—is a referendum providing for simultaneous elections of the House and Senate in future balloting.

The election comes on the crest of an impressive rebound by the Australian economy; Hawke can claim to have presided over a period of moderating inflation and almost unprecedented economic growth. The OECD predicts that the Australian economy will expand by 6 percent this year—the highest growth rate for any industrialized country. So successful has the economy been that Treasurer Paul Keating was recently named by *Euromoney* magazine as its Finance Minister of the Year.

At the same time, Hawke's "presidential style" has won his Labor government the clear approval of Australia's 9.4 million voters (see figure 1). Hawke's approval rating among all voters has run between 66 percent and a record 75 percent over the last year—his popularity among Labor Party voters often exceeding 90 percent.² Hawke profits from an ability to

¹ Under normal circumstances Australian parliamentary elections are held triennially for the entire House of Representatives and one-half of the Senate—whose members serve six-year terms. In this election, 30 of the 76 Senate seats will not be contested.

² Hawke's bipartisan appeal rests in his image as the quintessential Australian—everybody's "mate." Former union leader, ardent sports fan, reformed drinker and womanizer, Hawke is an intellectual—a Rhodes scholar—"saved from elitism" by his human frailties. He is the kind of scrappy individualist that Australians respect.



Bob Hawke

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project a "sense of common purpose," which has won many voters weary of the pro forma antagonisms and confrontation that have traditionally marked Australian politics.

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Hawke's Track Record

Hawke's campaign has been based not only on the economy's robust expansion but on an impressive political track record in office. His tenure has been marked especially by a series of initiatives to recast Labor Party policy along more moderate lines. This has required that he test the limits of traditional alliances, stretch the interpretation of binding policy platforms, and work to circumscribe the influence of the party's left wing.

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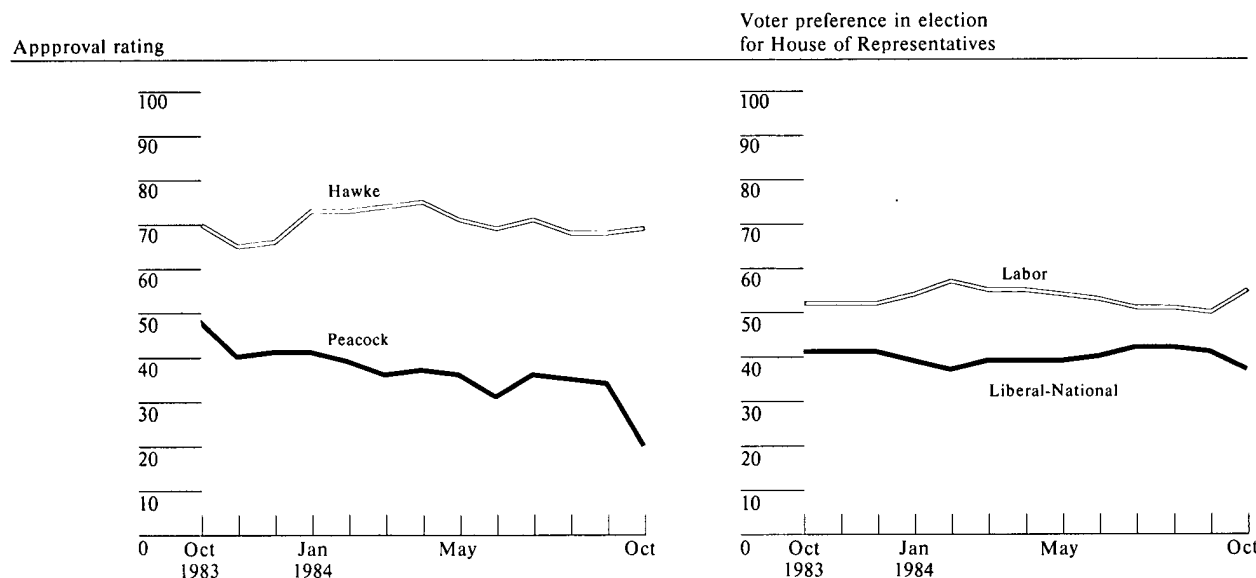
One of Hawke's most successful gambles has been achieving a consensus on economic policy beginning with the economic summit of government, union, and business leaders held in April 1983. By bringing such

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Figure 1
Australian Public Opinion Polls



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disparate groups together, Hawke sent out a clear signal that Australia's serious economic problems could not be ignored and economic policy making could no longer be a battleground for different interest groups. The summit also helped Hawke to quash early unrealistic expectations of a painless recovery or a quick reduction in the 10-percent unemployment rate. Most important, the summit set the stage for Hawke's wage accord with organized labor. Hawke has surprised skeptics with the resilience of the accord—which has enabled the Labor government to curb excessive wage increases, maintain industrial peace, and bring both inflation and unemployment under control.

Taming the left has proved a more difficult task and has required that Hawke employ all his political assets. At the biennial Labor Party conference in July, Hawke fended off a series of leftwing proposals for the party platform, including calls to ban all uranium mining and export, withdraw Australia's support for the ANZUS alliance, prohibit visits by US naval ships, close down the US-Australian joint

defense facilities, and reaffirm the party's condemnation of Indonesia's incorporation of East Timor. Similarly, pressure from Hawke and other party moderates resulted in the recent reaffiliation of three politically conservative unions barred by the left. The move will dilute the left in its Victoria State stronghold and should dampen much of the most virulent criticism of Hawke.

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Hawke's enviable position also has been strengthened by his government's fiscal year 1984/85 budget. The success of the budget—called a “masterful exercise in political pragmatism” by one political observer—has depended on its ability to satisfy the demands of a wide-ranging constituency. Like its 1983/84 predecessor, the budget appeals to the business community

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Andrew Peacock

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by reducing the budget deficit and introducing incentives to spur private investment. Unlike last year's budget, however, it includes the tax cuts and increased social spending necessary to maintain union support for the wage accord.³

The Disorganized Opposition

One source of Hawke's bright electoral prospects is the disorganized state of the opposition. Since Labor's March 1983 election victory, the Liberal-National Party coalition has lacked strong leadership and a cogent policy platform. Andrew Peacock, former Foreign Minister and highly regarded parliamentarian, was long tipped as successor to former Prime Minister Fraser. Since assuming leadership of the opposition, however, Peacock has proven a lackluster leader in contrast to Hawke's colorful showing. Australian political observers, Peacock is generally seen as "lacking in substance." Moreover, his reputation as a jet setter has distanced him from the average, egalitarian-minded Australian.

The opposition coalition also suffers from a loss of ideological identity. By moving economic policy closer to the center, the Labor Party has preempted the

³ The tax cut of about US \$1 billion will return about US \$6.50 per week to most Australian workers and is in line with the unions' pre-budget demands.

opposition's traditional strength. In fact, the Hawke government is generally seen as more conservative on economic policy than the previous coalition government led by Malcolm Fraser. As a result, Peacock has been left to flounder in parliamentary debate—committed by his position as opposition leader to counter Labor policies, yet unable to develop an attractive alternative. Without a clear sense of direction, the Liberal-National Party coalition has become bogged down in internal feuds between those favoring economic policies similar to those of the Hawke government and proponents of increasingly conservative economic policies.

Liberal Party strategists are clearly concerned about these weaknesses and have made initial attempts toward rebuilding the party. Last year's Valder Committee, for example, sought to identify new paths for the Liberal-National coalition that would represent a clear alternative to the Labor government.⁴ The committee concluded that the coalition must reemphasize its traditional values by advocating a series of economic reforms designed to encourage international competitiveness, scale down big government, speed deregulation, broaden the tax base, eliminate protectionist policies, sell government enterprises to the private sector, and end wage indexation.

Peacock has followed up by raising a number of controversial economic, social, and political issues and waging a "scare campaign" directed against Labor's tax policies and its proposed "assets test" for pensioners. The opposition has scored at least some points on tax policy by forcing Hawke to release a detailed statement on Labor Party objectives. These included an unqualified guarantee of no overall tax increase over Labor's next term in office. For its part, the opposition is proposing changes in the tax base rather than introducing new taxes, which it claims will result in a net reduction in the individual tax burden. It also promises not to introduce capital gains, wealth, or estate taxes.

⁴ The committee was set up by the Liberal Party to analyze the reasons for its 1983 electoral defeat. Led by former stock exchange chairman, John Valder, it was tasked with reviewing the party's preselection procedures and membership and policy development.

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The government has countered Peacock's move by arguing that need-based welfare has become necessary to meet the growing demands of Australia's aging population. It says that few pensioners will be affected by the proposed assets test. The opposition claims, however, that the assets test will seriously penalize retirees and is proposing an alternative retirement program—the details of which have yet to be released. [REDACTED]

These offensives—as well as opposition claims that Australia's economic recovery owes more to “good luck” than to “good management”—have not yet cost Hawke politically. Other opposition issues also have yet to catch fire with the public:

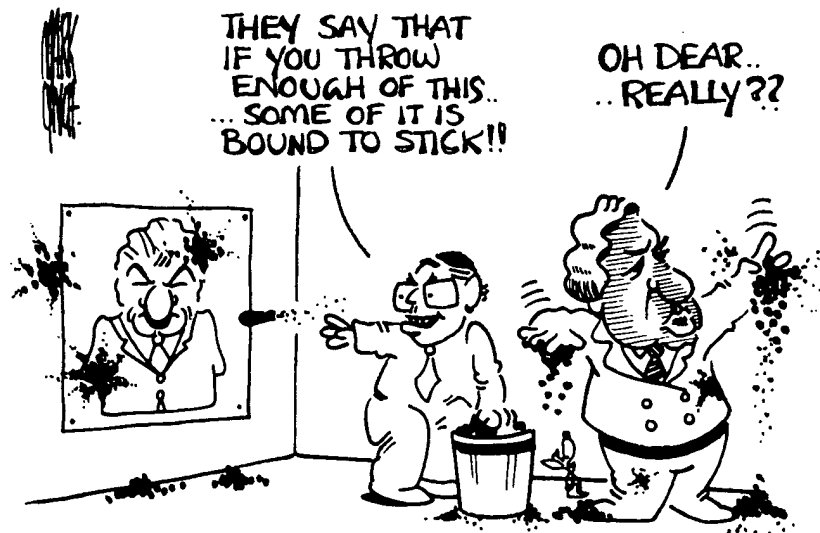
- *Immigration.* The opposition maintains that the current immigration policy is “unbalanced” in favor of Asians. The government claims that humanitarian principles must remain a priority in immigration policy. As such, it will continue to set intake levels on family reunion and refugee considerations.

- *Crime and corruption.* The opposition charges the government has been remiss in its pursuit of organized crime and has failed to give the National Crimes Authority the “teeth” it needs to be effective. The government maintains the Crimes Authority is sufficiently powerful to pursue important crime cases, some of which are currently followed by special investigative commissions.

- *Aboriginal land rights.* The opposition does not support national standards and prefers to leave land rights laws to individual states. The government is committed to setting uniform standards on land rights. It has not yet, however, released details of its policy regarding the overriding of state laws and has backtracked on its commitment to granting aboriginals veto rights on mining projects—two explosive issues in Australia.

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- **Medicare.** The opposition has criticized the current medicare system and says it will release an alternative program that will offer more freedom of choice. The government has identified its universal health scheme as its single most important welfare achievement. [redacted]

On at least two occasions, Peacock's use of these issues has backfired. The opposition's approach to the immigration issue, for instance, has been widely criticized for fanning the fires of anti-Asian sentiments and racism. In late September, moreover, Peacock closed a parliamentary debate on corruption with the sensational allegation that Hawke was "a little crook" who took his orders from underworld figures. Peacock further claimed that Hawke was soft on prosecuting criminals—particularly those in the drug trade—having been corrupted by his links with organized crime. The Prime Minister's emotional display during a press conference on the subject, the subsequent revelation of his daughter's heroin addiction, coupled with Peacock's unwillingness to make good on his threat to "name names," created a surge of sympathy for Hawke and cost Peacock popularity as well as credibility. [redacted]

Election Outlook

The highlight of the otherwise predictable campaign will probably be the televised debate between Hawke and Peacock, tentatively set for the last week of the campaign. The debate will be the first nationally televised election event of its kind in Australian history and—in the increasingly personality-oriented and "presidential-style" Australian political arena—could prove an added factor in determining the margin of Labor's victory. [redacted]

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Australian political observers believe that the Labor Party can realistically expect to increase its majority in the House of Representatives by at least five to reach a minimum 30-seat majority. There is also an outside chance that the election could bring Labor control of the Senate (see table 1). If Hawke and Labor increase their momentum in the remaining weeks of the campaign, we believe Labor could see an even stronger parliamentary majority. [redacted]

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The Opposition: A Look Ahead

Liberal Party strategists have already privately conceded defeat in the December ballot. Holding the Labor Party to its current 25-seat majority in the House, therefore, would probably be interpreted as a tactical victory by party strategists and could enable Peacock to retain his position as coalition leader. A Labor landslide, on the other hand, will almost certainly spell the end to Peacock's political career. Political observers unanimously agree that the Liberal Party is ruthless with failed leaders. [redacted]

If Peacock goes, deputy opposition leader and Liberal shadow Treasurer Howard is the most probable replacement. Howard is recognized as bright and capable, although hampered by a dull public image. We would expect Howard's ascension to the coalition's leadership to temporarily buoy opposition spirits. It would be unlikely, however, to result in any durable changes in the coalition's political fortunes. [redacted]

According to the US Embassy, prominent Liberal and National figures are also speculating that the December election will increase the likelihood of a formal merger of the two parties. Such a move has been debated for years, but the increasing probability that the Labor government will endure into the next decade has prompted more serious consideration. [redacted]

With victory a foregone conclusion, Hawke is concentrating on boosting Labor's parliamentary majority and securing a greater percentage of seats for like-minded party moderates, thus reducing the influence of the party's fractious left wing. Hawke spent several weeks immediately preceding the election announcement preoccupied with promoting moderate Labor candidates. His prospects for increasing the strength of moderates have been dimmed somewhat by the left's efforts during the preselection process for choosing local candidates. According to the US Embassy, the left is very active at the local level and can exert a

disproportionate influence on the selection of local candidates. This grassroots strategy has succeeded in increasing the left's numbers and influence in the face of limited power in the party caucus and a lack of broad-based support for its policy positions. [redacted]

Hawke's concern over the factional makeup of the party caucus underscores his awareness that—even with an increased electoral mandate—the lack of a strong coterie of party moderates would limit his ability to shape party policy. The left—currently constituting roughly one-third of Labor's parliamentary caucus—suffered a sharp decline during Hawke's first term. Nonetheless, influential media connections have enabled it to focus the political spotlight on issues that Hawke would prefer to leave alone. The left will certainly exploit any signs of weakness in support for Hawke—should they emerge—and will also try to burnish its party credentials by continuing charges that Hawke has abandoned the party's longstanding ideals. [redacted]

Hawke, we believe, is also worried about the potentially threatening center-left faction—established earlier this year by Foreign Minister and former party leader Bill Hayden. According to local political observers, the center-left wants to control the balance of power in the Labor Party caucus—moderating what it sees as the impractical ideology of the left and the “ruthless pragmatism” of the right. Hawke would, we believe, be loath to surrender any control of party policy to the center-left—or its leader Bill Hayden.⁵ [redacted]

⁵ Some Australian political analysts have hypothesized that, if Hawke wins an especially decisive victory on 1 December and later faces increasing opposition from the center-left, he might consider splitting from the Labor Party to form his own centrist party. The formation of new parties has ample precedent in Australia, but they have not been formed to capture the political center. If Hawke were to engineer such a move in the next several years, he would upset the traditional Labor-Liberal division of power and call into question many longstanding political alliances—especially those of Australia's powerful trade unions. Moreover, because of the high cost of failure and Hawke's longstanding ties with the Labor Party, we believe a Labor split initiated by Hawke is unlikely. [redacted]

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Table 1
Probable Breakdown of Parliament by Party

	Labor	Liberal-National	Democrats	Independent	Total
House of Representatives					
Old Parliament	75	50	0	0	125
New Parliament ^a	90	58	0	0	148
Senate					
Old Parliament	30	28	5	1	64
New Parliament ^a	34	33	8	1	76

^a Projected, based on US Embassy reporting.

Labor's Almost Certain Second Term

In the aftermath of an election victory, most political observers expect Hawke to reshuffle his cabinet. Deputy Prime Minister and Minister for Trade Lionel Bowen and Defense Minister Scholes are among those slated for replacement. Hayden is favored as future Deputy Prime Minister by some members of the center-left, although we believe it is doubtful that he would voluntarily give up the high-profile position as Foreign Minister. If Hayden were to switch portfolios, some observers believe Keating or another Hawke "conservative" might be appointed as Hayden's replacement in an effort to remove the irritants Hayden has occasionally injected into Australia's foreign relations—particularly with Washington. []

Defense Minister Gordon Scholes is also rumored to go. It has been speculated that Hawke supporter Kim Beazely is a possible successor, once again because of the belief that he would prove a more effective spokesman for Hawke's moderate positions. In any case, Hawke is unlikely to increase the left's representation in his 27-member Cabinet. []

⁶ Members of the left wing currently hold four relatively unimportant Cabinet portfolios—Immigration and Ethnic Affairs, Defense Support, Veteran's Affairs, and Territories and Local Government. []

An important test of Hawke's second term will be his ability to contain the inevitable pressures to return to the party's "postponed agenda"—programs for social reform inherent in the party's socialist roots, integral to the policies of past Labor governments, and among the reasons cited for the fall of the Whitlam Labor government in 1975. Though sympathetic to social reform, Hawke is wary of compromising his record on economic management by dramatically increasing social spending. In fact, Hawke's success in wooing the Australian business community in no small measure results from his fiscal restraint, a stance that has cost him support within the party. []

In our judgment, Hawke will try to offset growing criticism over his abandonment of Labor's social objectives by instituting some low-cost institutional changes and policy initiatives. Political observers believe one of the first of these will be the creation of a Community Services Commission comprising sections of the Social Security, Health, and Veteran's Affairs portfolios. Hawke will probably also push for human rights legislation. Both these moves will be intended to boost Hawke's standing with both the left and the []

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socially conscious center-left. It is still unclear, however, whether such cosmetic gestures will keep the left and center-left critics in line. [REDACTED]

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On economic management issues, we believe that pressures to increase spending will emerge when economic growth begins to moderate. The OECD predicts that growth will slow to about 3.5 percent by the end of 1985, and inflation is expected to rise somewhat from 6 percent currently—perhaps reflecting pay awards agreed to in the 1983 wage accord. Unemployment has fallen to 8.6 percent but is not expected to be reduced further. In addition, private-sector investment, necessary to sustained economic growth, remains sluggish. [REDACTED]

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Australian financial analysts believe that, in order to maintain high marks on economic management in such an environment, Hawke will have to consider tax reform, develop a more flexible approach to wage determination, restructure industry, hasten technological change, and make further gains toward deregulation. Hawke has already embarked on this agenda. In recent weeks he has been laying the foundations for an evolution in the wage and price accord. Furthermore, in an effort to institutionalize the consensus approach to economic policy making that began with his April 1983 Economic Summit, Hawke has indicated that the business community will join with government and union leaders in the review. [REDACTED]

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In any event, a decisive Labor victory will help Hawke maintain warm relations with Washington and continue to chart a moderate course in foreign affairs. A threat to bilateral relations would, we believe, occur only in the unlikely event that the left significantly increases its numbers in the Labor caucus and is able to take the lead in party policy making. [REDACTED]

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